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UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

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I. INTRODUCTION

A. Origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) of 7 December 1970 to study all aspects of the financing of the Agency. In that resolution, the Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to the problems posed by the Agency's financial crisis.

2. At its twenty-fifth session and all those that followed, the General Assembly considered the reports submitted to it by the Working Group, 1/ and adopted resolutions commending the efforts of the Working Group and requesting it to continue them for a further year. 2/

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Chairman of the Working Group is Mr. Inal Batu of Turkey.

B. Consideration of the report of the Working Group at the forty-eighth session of the General Assembly

4. The report of the Working Group on its activities in 1993 3/ was considered by the General Assembly at its forty-eighth session under agenda item 85, entitled "United Nations Relief and Works Agency for Palestine Refugees in the Near East". At its 3rd plenary meeting, on 24 September 1993, the Assembly decided to include this item in its agenda and to allocate it to the Special Political and Decolonization Committee (Fourth Committee), which considered it at its 18th, 19th and 23rd to 27th meetings, on 15, 18, 29 and 30 November and 8 December 1993.

5. At the 27th meeting of the Committee on 8 December 1993, the representative of Netherlands introduced a draft resolution entitled "Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East" (A/C.4/48/L.21) sponsored by Australia, Austria, Bangladesh, Belgium, Canada, Denmark, France, Germany, Greece, Indonesia, Ireland, Italy, Japan, Luxembourg, Malaysia, the Netherlands, New Zealand, Pakistan, the Philippines, Portugal, Spain, Sweden, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

6. Under the terms of the draft resolution, the General Assembly would:

'a) Commend the Working Group for its efforts to assist in ensuring the Agency's financial security;

(b) Take note with approval of the report of the Working Group;

(c) Request the Working Group to continue its efforts, in cooperation with the Secretary-General and the Commissioner-General of UNRWA, for the financing of the Agency for a further period of one year;

(d) Request the Secretary-General to provide the necessary services and assistance to the Working Group for the conduct of its work.

7. At the same meeting, the Committee adopted the draft resolution without a vote.

8. At its 75th plenary meeting on 10 December 1993, the General Assembly considered the draft resolution regarding the Working Group, which had been recommended by the Special Political and Decolonization Committee (Fourth Committee), together with other draft resolutions under this item. At the same meeting, the Assembly adopted the draft resolution without a vote as resolution 48/40 B.

II. ACTIVITIES OF THE WORKING GROUP DURING 1994

9. Throughout the year, the members of the Working Group followed with concern the difficulties experienced by the Agency and, in particular, the serious financial situation it continued to face. The Working Group held two meetings, on 7 September and 19 October 1994, to consider the recent developments in the Agency's financial situation and to prepare its report to the General Assembly. The Working Group adopted its report at its meeting on 19 October 1994.

10. At its meeting on 7 September 1994, the Working Group heard the Comptroller of UNRWA, who submitted an up-to-date report on the financial situation of the Agency. The Working Group gave further consideration to the Comptroller's report at its meeting on 19 October 1994 (see sect. III below).

III. FINANCIAL SITUATION OF THE UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

11. UNRWA ended the biennium 1992-1993 with a deficit of $17.1 million, as reflected in the income and expenditure statements of the Agency's final accounts for the biennium. According to information provided to the Working Group by the Comptroller of UNRWA, the figure was made up of an "official reported" deficit in income versus expenditure of $55.5 million, distributed among the various UNRWA budget accounts as follows (in millions of United States dollars):

General Fund	Funded ongoing activities	EMLOT a/	Total
(37.4)	(2.1)	(16.0)	(55.5)

a/ Extraordinary Measures in Lebanon and the Occupied Territory.

However, $38.4 million relating to 1993 contributions was received in 1994. If this is taken into account, the adjusted 1992-1993 deficit would be $17.1 million, distributed as follows (in millions of United States dollars):

General Fund	Funded ongoing activities	EMLOT	Total
(3.0)	1.9	(16.0)	(17.1)

Of particular significance in the above figures is the 1992-1993 deficit of $16.0 million in the account for EMLOT. This deficit must be covered from the Agency's regular budget income when sufficient EMLOT contributions are not received. Moreover, the 1992-1993 deficit of $17.1 million eroded UNRWA working capital and emergency reserves. Adjusted working capital declined by this amount from $39.7 million at the end of 1991 (the last year for UNRWA annual budgets) to $22.6 million for the close of the biennium 1992-1993. Of the $22.6 million, $6.5 million was set aside as the emergency reserve and $1.8 million represented a reserve for the Gaza Hospital which is currently under construction. At the beginning of 1993, UNRWA had introduced a series of austerity measures totalling some $17 million in the General Fund and EMLOT, in order to reduce expenditure. These austerity measures, plus some additional contributions, were successful in reducing the Agency's overall deficit to manageable proportions. Nevertheless, Agency services were affected. For example, because additional teachers could not be employed, more pupils had to be accommodated in Agency classrooms; much needed maintenance of Agency installations had to be delayed; general recruitment was reduced; procurement of supplies and equipment was reduced to the absolute minimum, and administrative expenditures were curtailed.

12. The financial prospects of UNRWA for 1994 were also unfavourable, owing to the fact that the level of contributions continued to fail to keep pace with the combined factors of growth in the number of beneficiaries of Agency programmes and the rising costs of maintaining those programmes at a satisfactory level. In 1994, UNRWA needed to have $271 million for the regular cash budget and $9 million for EMLOT, for total cash requirements of $280 million. In 1994, the Agency was expecting to received income of some $222 million and also expected to raise some $15 million in special contributions for capital and special projects, which are an integral part of the regular programme budget. These contributions would cover, inter alia, the construction of additional schools, health centres and facilities for relief and social service programmes. However, this would still leave a projected deficit of some $43 million in the regular and EMLOT budgets in 1994. Of that amount, $21 million, or nearly half, represented funds that the Agency required in order to meet its monthly payroll for its nearly 20,000 employees. The remaining $22 million was required to restore the freezes in hiring and other cuts imposed under the austerity measures adopted at the beginning of 1993, with an allowance for the annual growth rate and rising costs in those services. These austerity measures will continue to have a negative cumulative impact on the level and quality of the services that UNRWA provides. For example, during the biennium 1994-1995, UNRWA should recruit some 500 additional teachers, at a cost of about $2.2 million; however, the establishment of these posts will remain frozen as long as the austerity measures are in effect, with the result that the average number of pupils per classroom in Agency schools, already at unacceptably high levels in

many schools, will go up , with the resulting negative effects on the standard of education. Another $1.8 million in frozen funds would have covered the establishment of other essential posts, including medical doctors, nurses, relief workers, sanitation labourers, school attendants and necessary support staff required to maintain the level of Agency health services, and $3.1 million would be needed to restore the necessary level of medical and general stores supplies and $1.3 million to purchase essential vehicles and equipment needed to replace unserviceable ones. The largest amount of frozen funds, some $7.8 million, would be needed to cover minimum essential adjustments in the salaries of UNRWA area staff, in order to maintain their parity with employees in equivalent positions in the host countries.

13. In meetings with major donors and other concerned government representatives in 1994, the Commissioner-General of UNRWA appealed for help in finding ways to reduce the projected deficit for 1994 and to alleviate the structural deficit problem in the Agency's budget. Without such support, there would be an inevitable curtailment in services. The Commissioner-General cautioned that it was no longer a question only of freezing the growth of Agency services but one of actually reducing services, which could involve the laying-off of staff, the closure of certain installations and the inability to admit additional children into Agency schools - all of which could have a potentially destabilizing impact on the region at a critical time. In response to such appeals, there were a number of generous additional contributions to the Agency's budget for its regular programmes during the year; however, those contributions fell short of the amounts required to address the Agency's current requirements and projected future needs, and the situation remained serious.

14. The past year has seen dramatic political developments in the area in which UNRWA operates. With the signing in May 1994 of the Cairo accords between the Palestine Liberation Organization (PLO) and the Government of Israel, implementing the agreement on Palestinian self-rule in the Gaza Strip and Jericho Area and beginning the five-year transition period to "final status" negotiations aimed at resolving the Palestinian-Israeli conflict, the work of UNRWA entered an entirely new phase. With its long experience in the area and its extensive network of installations on the ground in the region, the Agency stood ready to do whatever it could, at the request of the Palestinian Authority and with the agreement of donors and of the countries hosting the Palestine refugees, to assist in seeing to it that the peace process was accompanied by positive changes in the social and economic conditions of the Palestinian people, whom UNRWA has been serving for more than 44 years. On 6 October 1993, the Commissioner-General of UNRWA announced the establishment of a Peace Implementation Programme (PIP) with the aim of supporting the Middle East peace process by providing a mechanism, using the long-established resources of UNRWA on the ground, for the channelling of donor funds and investments into projects and programmes to improve infrastructure and help to stabilize socio-economic conditions in the region. By 30 June 1994, UNRWA had identified $122 million worth of projects for implementation in the Gaza Strip and West Bank, and another $65 million in Jordan, Lebanon and the Syrian Arab Republic, under the first phase of PIP. Pledges amounting to some $85 million and contributions of some $43 million had been received for PIP projects in the Gaza Strip and West Bank and pledges of another $10 million had been received for projects in the other three fields. On 15 September 1994, the Agency announced the second phase

of PIP, which would include projects worth more than $250 million for the West Bank and Gaza Strip over the following two years. PIP had clear benefits for UNRWA as well as for the Palestinians, in that projects could be proposed and special contributions could be raised from donors which could be used to upgrade UNRWA installations. However, support for the construction of these projects and for their continuing operation once completed, including staffing costs, would have to be provided from UNRWA regular budget resources as long as they remained part of UNRWA regular programme activities.

IV. CONCLUDING REMARKS

15. The Working Group is concerned to note that UNRWA failed to receive funding sufficient to deliver all parts of its planned programmes in 1993 and that it expects to be unable to do so again in 1994. The Working Group is particularly concerned about the negative cumulative effect of austerity measures which the Agency has had to take, and to carry over from year to year, in order to reduce its chronic budget deficits. The Group has noted the frank assessment presented by the Commissioner-General to donors that the Agency would require contributions of the magnitude of $21 million to avoid running down its operational capital reserves, as well as $22 million to maintain the standard of services at their present level, for total requirements of $43 million to fund the regular and EMLOT portions of the UNRWA budget in 1994.

16. The Working Group commends the Commissioner-General for his efforts at fund-raising, which include a tireless schedule of regular visits to donor countries, as well as informal meetings at Amman and Vienna with major donors and others to explain the Agency's programmes and to discuss its problems and prospects in the context of the changed situation in the Near East. The Working Group particularly joins the Agency in expressing appreciation to donors, especially those who increased their contributions or expressed an interest in contributing for the first time. It notes particularly that the efforts of the Commissioner-General and his staff towards raising funds for PIP have succeeded in attracting financial support for UNRWA programmes and projects from some donors at levels greatly surpassing that of their previous contributions to UNRWA. The Working Group was particularly gratified to learn of the agreement reached by the Agency with the Government of Saudi Arabia providing for the financing of $20 million worth of PIP projects in the West Bank and Gaza Strip. The Working Group joins the Commissioner-General in expressing the hope that the example set by this donor will be followed by others among the wealthier States in the region.

17. The Working Group shares the Commissioner-General's concern that the activities forming the core of UNRWA services to Palestine refugees, namely, education, health care and relief and social services, are increasingly threatened due to the Agency's chronic budget-deficit problem. Not only has the Agency been unable to raise the funds needed to restore cuts and other austerity measures made last year, but it expects to end this year with a funding shortfall more than double that experienced at the end of 1993. It is also a source of concern that, despite the great success realized in raising funds for new and special projects under PIP, there may be insufficient funds forthcoming to finance the staffing and recurrent costs of some of the vital programmes

being established under PIP. The careful planning and implementation of PIP has rightfully won the acclaim and support of donors and there can be no doubt that these programmes will increasingly become a central element of the services rendered by the United Nations to the Palestinians. It would be a tragedy if the social and economic benefits promised by programmes such as PIP should be undermined by the inability of the international community to provide the resources needed to preserve the regular services of UNRWA at this vital moment in Middle East history.

18. The Working Group expresses its support for the Commissioner-General's strict policy of giving priority to operational programmes. Accordingly, the Working Group believes that the transfer of the Office's headquarters from Vienna to Gaza should not be financed with funds earmarked for operational programmes at a time when UNRWA has to meet the new needs generated by the establishment of Palestinian self-rule. The Working Group requests that a detailed financing plan be drawn up before the transfer takes place, given the implications for the functioning of the office and the smooth conduct of its activities.

19. The Working Group therefore strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions to UNRWA for 1994 and urges Governments:

(a) That have not yet contributed to UNRWA to start to do so;

(b) That have so far made only relatively small contributions to increase their contributions;

(c) That in the past have made generous contributions to UNRWA to continue to do so and to strive to increase them;

(d) To consider making additional contributions in support of ongoing emergency-related and special programmes in Lebanon as well as present and future phases of PIP, without in any way decreasing or diverting funds from their contributions to the Agency's regular programmes;

(e) To consider making special additional contributions for construction projects, again without affecting their contributions to the regular programmes.

Notes

1/ Official Records of the General Assembly, Twenty-fifth Session, Annexes, agenda item 35, document A/8264; ibid., Twenty-sixth Session, Annexes, agenda item 38, document A/8476; ibid., Twenty-seventh Session, Annexes, agenda item 40, document A/8849; ibid., Twenty-eighth Session, Annexes, agenda item 43, document A/9231; ibid., Twenty-ninth Session, Annexes, agenda item 38, document A/9815; ibid., Thirtieth Session, Annexes, agenda item 54, document A/10268 and A/10334; ibid., Thirty-first Session, Annexes, agenda item 53, document A/31/279; ibid., Thirty-second Session, Annexes, agenda item 55, document A/32/278; ibid., Thirty-third Session, Annexes, agenda item 50, document A/33/320; ibid., Thirty-fourth Session, Annexes, agenda item 50, document

A/34/567; ibid., Thirty-fifth Session, Annexes, agenda item 53, document A/35/579; ibid., Thirty-sixth Session, Annexes, agenda item 60, document A/36/615; ibid., Thirty-seventh Session, Annexes, agenda item 65, document A/37/591; ibid., Thirty-eighth Session, Annexes, agenda item 73, document A/38/558; ibid., Thirty-ninth Session, Annexes, agenda item 75, document A/39/575; ibid., Fortieth Session, Annexes, agenda item 79, document A/40/736; ibid., Forty-first Session, Annexes, agenda item 79, document A/41/702; ibid., Forty-second Session, Annexes, agenda item 79, document A/42/633; ibid., Forty-third Session, Annexes, agenda item 76, document A/43/702; ibid., Forty-fourth Session, Annexes, agenda item 74, document A/44/641; ibid., Forty-fifth Session, Annexes, agenda item 74, document A/45/645; ibid., Forty-sixth Session, Annexes, agenda item 72, document A/46/622; and ibid., Forty-seventh Session, Annexes, agenda item 73, document A/47/576.

2/ Resolutions 2791 (XXVI) of 6 December 1971, 2964 (XXVII) of 13 December 1972, 3090 (XXVIII) of 7 December 1973, 3330 (XXIX) of 17 December 1974, 3419 (XXX) of 8 December 1975, 31/15 C of 23 November 1976, 32/90 D of 13 December 1977, 33/112 D of 18 December 1978, 34/52 D of 23 November 1979, 35/13 D of 3 November 1980, 36/146 E of 16 December 1981, 37/120 A of 16 December 1982, 38/83 B of 15 December 1983, 39/99 B of 14 December 1984, 40/165 B of 16 December 1985, 41/69 B of 3 December 1986, 42/69 B of 2 December 1987, 43/57 B of 6 December 1988, 44/47 B of 8 December 1989, 45/73 B of 11 December 1990, 46/46 B of 9 December 1991 and 47/69 B of 14 December 1992.

3/ Official Records of the General Assembly, Forty-eighth Session, Annexes, agenda item 85, document A/48/554.